



**Pacific Gas and
Electric Company™**

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April 7, 2008

Mr. Honesto Gatchalian
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: PG&E's Reply Comments on Draft Resolution E-4160

Dear Mr. Gatchalian:

On April 1, 2008, you received comments on Draft Resolution E-4160 (Draft Resolution), which was circulated on March 12, 2008 for public review and comment in advance of its consideration and potential adoption at the April 10, 2008 Commission meeting. Pacific Gas and Electric Company (PG&E) submits the following comments in reply to those April 1st comments on the Draft Resolution.

PG&E again expresses its appreciation of the Executive Director's decision to bifurcate consideration of the issues presented by Resolution E-4160. While all eight of the parties submitting comments on the Draft Resolution concurred in the need for an examination of the issues in a workshop or other setting, the comments of Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E) are especially insightful and raise important issues that must be confronted and resolved in order to clearly articulate the Commission's policy with respect to the potential cost of renewables procurement.

The ruling of the Executive Director suggested that whether Issue 4 – Total Amount of AMF Funds Available to Each Utility for Procurement Eligible Renewable Energy Resources -- should be adopted in on April 10 or not, would be determined based upon comments on the Draft Resolution. The dollar amount of PG&E's AMF fund is correctly stated in the Draft Resolution, assuming the intent is to state the AMF value in terms of nominal dollars. However, the Draft Resolution errs in assuming that these dollars represent the present value of a larger stream of nominal dollar payments. SCE aptly describes the problems associated with the Draft Resolution's methodology in calculating the

amount. (SCE at 3-5.) SDG&E notes that the AMF calculator attached to the Draft Resolution contains PG&E test data and an weighted average cost of capital; both are incorrect for SDG&E. (SDG&E at 2.) Because the Draft Resolution's proposed use of calculated funds is in error, and because the issue is well suited to be resolved in workshops, Issue 4 should be bifurcated from the Draft Resolution. Issue 4 should be considered in the May workshops, and not be included in the Resolution issued on April 10.

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce K. Chung". The signature is fluid and cursive, with the last name "Chung" being more prominent.

Vice President, Regulatory Relations

Cc:

President Michal R. Peevey
Commissioner John A. Bohn
Commissioner Timothy A. Simon
Commissioner Rachelle B. Chong
Commissioner Dian M. Grueneich
Paul Clanon, Executive Director, CPUC
Sean Gallagher, Energy Division
Paul Douglas, Energy Division
Cheryl Lee, Energy Division
Service List for R.06-05-027
Service List for R.06-12-012